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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1998-1999

Administrative expenses of the United Nations Joint Staff Pension Fund

Report of the Standing Committee of the United Nations Joint Staff Pension Fund

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I. INTRODUCTION

1. In paragraph 1 of its resolution 46/220 of 20 December 1991, the General Assembly adopted a biennial approach to the consideration of certain agenda items in the Fifth Committee. The United Nations pension system was included among the items to be considered only in even-numbered years (i.e., the non-budget years), with the arrangement that the review and approval of all matters related to the expenses of the United Nations Joint Staff Pension Fund (UNJSPF), including the biennial budgets of the Fund, would be taken up by the Fifth Committee and the General Assembly as a sub-item under the agenda item for the United Nations biennial programme budget.

2. Pursuant to resolution 46/220, the United Nations Joint Staff Pension Board adjusted its work programme and took certain measures to conform to the biennialization decision, including the adoption of a two-year cycle for regular sessions of the Board. The Standing Committee of the Board meets in odd-numbered years to deal with a number of matters delegated to it by the Board, including in particular the review of the proposals of the Secretary of the Board as regards the administrative expenses of the Fund and the submission of recommendations related thereto to the General Assembly. The Standing Committee is appointed by the Board under article 4 (c) of the Regulations of the Fund and is composed of 15 members, elected on a tripartite basis from members and alternate members of the Board or of the staff pension committees.

3. Accordingly, the present report is submitted by the Standing Committee following its meeting, held at United Nations Headquarters from 30 June to 2 July 1997. The members, alternate members and representatives who attended the meeting are listed in annex I. Although the Standing Committee dealt with a number of matters related to the administration and operation of the Fund, in accordance with resolution 46/220 it reports herein only on: (a) the revised budget estimates for the biennium 1996-1997; (b) the budget estimates for the biennium 1998-1999; and (c) the authorization for contributions to the Emergency Fund.

A. Background information

4. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. There are currently 19 member organizations. In accordance with regulations and rules adopted by the General Assembly, the Fund is administered by the United Nations Joint Staff Pension Board, which consists of 33 members, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads and one third by the participants. The Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations, which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable

remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred by the Board in the administration of the Fund - principally the cost of its central secretariat located in New York and Geneva, and the expenses of managing its investments - are met by the Fund.

5. Article 15 of the Regulations of the Fund provides that:

> "(a) Expenses incurred by the Board in the administration of these Regulations shall be met by the Fund.
>
> "(b) Biennial estimates of the expenses to be incurred under (a) above shall be submitted to the General Assembly for approval during the year immediately preceding the biennium to which the said estimates relate. Supplementary estimates may similarly be submitted in the first and/or the second year of the biennium to which the budget relates.
>
> "(c) Expenses incurred in the administration of these Regulations by a member organization shall be met by that organization."

6. The administrative expenses of the Fund are separated into three categories:

(a) Administrative costs, which include the cost of salaries, related staff costs and operational costs of the central secretariat of the Fund, the fees charged by the Consulting Actuary to the Fund for actuarial valuations and other services and costs related to meetings of the Committee of Actuaries;

(b) Investment costs, which cover fees payable to the advisors and custodians for the investment portfolio, the cost of salaries, related staff costs and operational costs for the staff in the Investment Management Service of the Fund and costs related to meetings of the Investments Committee;

(c) Audit costs, which cover both internal and external audit costs.

7. Article 4 (a) of the Regulations provides that "the Fund shall be administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee". The expenses of individual member organizations under article 15 (c) therefore relate to the costs of their local staff pension committee secretariats, the travel of their representatives to meetings of the Board and its organs, the associated costs of local pension secretariat services provided to the Fund participants employed by the organization concerned and the assistance of the Medical Service of each member organizations in the review of disability cases. These expenses are borne by the budgets of the member organizations directly.

B. Expenses borne by the United Nations budget

8. Since the central secretariat of the Fund also serves as the local secretariat of the United Nations Staff Pension Committee, the United Nations

shares in the expenses of the central secretariat. In accordance with the long-standing apportionment formula agreed to by the Board and the General Assembly in 1954, the United Nations share includes one third of the total cost of established posts, related common staff costs and overtime, as well as a contribution to the identifiable costs of communications. At of the end of 1996, there were 67,997 active participants in the Fund, of which 43,896, or 64.6 per cent, were employed by the United Nations and its affiliated programmes (United Nations, United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), etc.).

9. Accordingly, section I of the proposed programme budget for the biennium 1998-1999 (A/52/6 (Sect. 1)) includes $3,289,800 as the United Nations share of the administrative costs of the central secretariat of the Fund and $2,509,700 as the UNDP/UNICEF share; the latter is reflected in the United Nations budget as extrabudgetary resources. These costs were based on the staffing table of the Fund secretariat for the biennium 1996-1997, as approved by the General Assembly. The total amount available to the central secretariat of the Fund from the United Nations budget for 1998-1999 would therefore be $5,799,500.

10. As the host organization for the Fund and in further recognition of the local pension secretariat services provided by the Fund secretariat to the organization, the United Nations has provided over the years other facilities and services without charge, including office space and administrative, payroll, procurement, conference and other related services. As regards the Fund's use of the United Nations mainframe computer services, the costs were initially set at a nominal flat rate of $40,000 per biennium, to which other charges were added during the 1990s, when the Fund began to develop new computer systems and applications which involved greater use of the mainframe computer; these additional charges related to the Fund's share of the cost of the mainframe's relational database management system and the cost of its disk storage space requirements.

II. STUDIES CONSIDERED BY THE STANDING COMMITTEE THAT HAD AN IMPACT ON ITS PROPOSALS FOR THE REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997 AND FOR THE BUDGET FOR THE BIENNIUM 1998-1999

11. The Standing Committee considered three studies that the Board had requested the Secretary to prepare on issues that would have both short-term and long-term implications for the administrative expenses of the Fund: (a) the audit arrangements of the Fund, particularly the internal audit function; (b) the short-term logistical requirements of the Fund's secretariat; and (c) a concept paper describing the present nature of the administrative arrangements between the Fund and the United Nations and other member organizations, together with an analysis of their adequacy for the Fund's operations over the next 10 years or longer. The results of the Standing Committee's review of these three studies are presented first, as they formed the basis for the observations and proposals made by the Standing Committee in respect of the revised estimates for the biennium 1996-1997 and the proposed programme budget for the biennium 1998-1999, which had been submitted by the Secretary of the Board.

A. Internal audit function

12. The Standing Committee reviewed the current arrangements for the internal audit function for the Fund, implemented in 1996 and carried out by the United Nations Office of Internal Oversight Services. The resources approved for this task for the biennium 1996-1997 amounted to $512,000, of which $409,600 was charged to the Fund and $102,400 to section I of the United Nations regular budget since the Fund's secretariat also serves as the local pension secretariat of the United Nations.

13. A UNJSPF Audit Unit was established by the Office of Internal Oversight Services as from August/September 1996, for the balance of the biennium 1996-1997, consisting of one P-4 auditor and one audit clerk. In addition, an amount of $200,000 was earmarked for the retention of an outside firm with strong investment accounting experience to carry out a comprehensive audit of the Fund's investment activities; while the Office of Internal Oversight Services would supervise that firm's work, no posts were established in that regard for the biennium 1996-1997.

14. At its meeting in 1996, the Board had agreed that, based on actual experience, the arrangements for the internal audit function should be re-examined by the Standing Committee in 1997, in the context of preparing the Fund's budget proposals for the biennium 1998-1999.

15. In November 1996, a long-term comprehensive audit was initiated in respect of the administration of the provisions of the pension system by the Fund's central secretariat. The internal auditors decided to begin with an examination of the procedures for monitoring and verifying the continued entitlement of beneficiaries to periodic pension payments from the Fund. For that purpose, pilot tests were initiated, in respect of beneficiaries residing in a number of countries, utilizing available data from national population registration systems and from private services. The initial tests covered verification of the continued existence and consequent benefit entitlement of beneficiaries residing in the United States of America who were either over age 70 or had had their benefits suspended for non-return of certificates of entitlement. To date, some 10 cases have been discovered involving overpayments and appropriate recovery actions have been instituted; particular attention was devoted to cases that might involve fraud. Similar audit tests will be carried out in other countries where a substantial number of Fund beneficiaries reside. The overall aim of these audits is to assist the management of the Fund in developing strengthened monitoring procedures and in delineating clear allocations of responsibility for follow-up action.

16. In respect of the investments operations, a qualified outside firm was selected to carry out an operational audit of the Fund's investment activities, focusing on the effectiveness of investment portfolio selection and maintenance. The audit began in August 1997.

17. The Secretary recommended to the Standing Committee that the Office of Internal Oversight Services should continue to discharge the internal audit function for the Fund during the biennium 1998-1999, and, after consulting with

the Under-Secretary-General for Internal Oversight Services, proposed a funding level of $527,100, broken down as follows:

	United States dollars
(a) Staff costs	
P-4 (24 months)	240 200
P-3 (18 months)	149 700
General Service (Other level) (24 months)	112 200
Subtotal	502 100
(b) Other costs	
Training	5 000
Travel	15 000
Contractual services	5 000
Subtotal	25 000
Total	527 100

The staffing resources requested, which included the addition of a P-3 auditor from July 1998, would provide for continuous audit coverage of the Fund secretariat as a whole, including the investment area. As indicated in paragraph 16 above, an audit of the Fund's investment activities by an outside firm has begun, using resources made available for the biennium 1996-1997.

B. Short-term logistical requirements of the Fund's secretariat

18. The Board requested that the study of the short-term logistical requirements should examine and assess the current status of the administrative functioning (including internal audit functions) and the requirements of the Fund secretariat, including its staffing, equipment and supplies, office space and computing and other requirements.

19. Following discussions with the United Nations administration, it was agreed that three specific issues had to be addressed urgently, as they would have significant impact on the Fund's operations in the immediate future and, therefore, on the administrative expenses for the biennium 1998-1999:

(a) The costs that would be charged to the Fund for mainframe computer services, now provided through the International Computing Centre (ICC) in Geneva;

(b) The costs that would be charged to the Fund for both the external and internal auditing of its operations;

(c) The additional office space required to accommodate the Fund's secretariat, including the Investment Management Service.

20. As indicated earlier, since the Fund's central secretariat provides local pension secretariat services to the United Nations, the United Nations has

always borne a share of the direct administrative expenses of the Fund's secretariat (excluding investment costs) and has provided a number of services and facilities to the Fund. The three items mentioned in the preceding paragraph received particular attention from the Standing Committee, because of the impact they had on the Secretary's proposals with respect to both the revised estimates for the biennium 1996-1997 and the proposed budget for the biennium 1998-1999.

Mainframe computer costs

21. In recognition of the significant growth in its usage of the United Nations mainframe computer, the Fund has been paying a larger share of the mainframe computer costs in New York since 1990. In the course of discussions with the United Nations in February 1997, the Secretary had agreed to propose to the Standing Committee that for the biennium 1998-1999 a larger portion of the costs of mainframe computer services now provided through ICC in Geneva should be assumed by the Fund. At the same time, the Secretary maintained that the Fund should not have to meet the full costs, because the local pension secretariat services provided by the Fund to the United Nations required extensive use of the mainframe computer services.

22. During further discussions in March/April 1997, the United Nations requested the Fund secretariat to provide a programmatic indication of the portion of its resources devoted to discharging local pension secretariat functions on behalf of the United Nations and its affiliated programmes. While noting that such an undertaking would involve considerable difficulties since the operations of the Fund have become intrinsically linked, the Fund secretariat nevertheless attempted to find an interim basis for the sharing of mainframe computer costs.

23. In late April 1997, the Fund secretariat submitted to the United Nations a comparative analysis of the per participant cost of the local pension secretariat services provided to the United Nations and its affiliated programmes, based on one third of the cost of the Fund's established posts, with the corresponding average cost per participant for eight of the other member organizations in respect of services to their local pension secretariats. That analysis showed that the per participant costs for the United Nations were significantly lower. Taking this result into consideration, as well as the fact that the other member organizations absorbed fully all the other costs (including those for computer services) of their local pension secretariats and that a large proportion of the work of the Fund related to the participants from United Nations entities, the Fund secretariat had suggested a 50/50 sharing of mainframe computer costs, as an interim and/or transitional arrangement.

24. The de facto United Nations/UNJSPF mainframe computer cost sharing for the biennium 1996-1997 has been approximately 75/25 per cent. The Secretary's proposal to move on an interim basis in the direction of apportionment to the Fund of a greater share of the mainframe computer costs was consistent with the approach taken with respect to the sharing of external audit costs (see paras. 26 and 27 below). However, the United Nations had already taken an a priori decision not to include in its budget any portion of the cost of the UNJSPF usage of the mainframe, pending completion of the longer-term study.

25. In those circumstances, the Secretary had no alternative but to include the entire cost of the Fund's mainframe computer usage in his budget proposals for the biennium 1998-1999. As a result, his budget proposals for the biennium 1998-1999 included mainframe computer costs amounting to $2,966,600 for the biennium, as against the amount of $559,100 (a $40,000 nominal charge for mainframe usage and $519,100 for disk storage space) in the Fund's revised budget for the biennium 1996-1997.

Internal and external audit costs

26. The situation as regards the internal audit costs is described in paragraphs 12 to 17 above. With respect to the external audits of the Fund's operations, which are entrusted, under article 14 (b) of the Fund's Regulations, to the United Nations Board of Auditors, the United Nations has over the years met almost 90 per cent of the cost of such audits. During the biennium 1996-1997 the external audit costs amounted to $271,340, of which only $32,600, or 12 per cent, was charged to the Fund. The Board of Auditors requested that, for the biennium 1998-1999, the total cost for auditing the Fund's operations should be increased to $397,210, or by $125,870, based on the recent actual cost experience and on the extension of the audits to include the Fund's Geneva office in view of the increased responsibilities assigned to that office.

27. The Secretary agreed to propose to the Standing Committee that the Fund assume the full amount of the increase in the external audit costs, as a step towards establishing a more reasonable and fair sharing of such costs. Accordingly, his proposed budget for the biennium 1998-1999 included an increase in the external audit costs to be charged to the Fund, which would modify the de facto United Nations/UNJSPF cost-sharing ratio from approximately 88/12 to 60/40.

Office space

28. The Secretary informed the Standing Committee that there was an immediate and acute shortage of office space for the Fund's operations, including the investment area. This problem had been brought to the attention of the United Nations and the Board in 1996. After several informal discussions with staff of the Buildings Management Service of the Department of Administration and Management regarding the availability of additional office space for the Fund secretariat at United Nations Headquarters, the Secretary formally communicated to the United Nations in May 1997 the Fund's short-term space requirements. Senior staff of the Buildings Management Service inspected the current office arrangements and acknowledged that there was a need for additional office space; however, they also indicated that the Fund's requests had to be considered in the context of the amount of space required and the desired location (the main Secretariat building), and the competing requests from United Nations departments and offices for contiguous space for their operations.

29. Neither at the time of the preparation of the Secretary's budget proposal, nor during the discussions in the Standing Committee, had specific information been provided by the United Nations as to when and how the Fund's needs for additional office space might be accommodated. However, as regards the issue of charging the Fund for space, both currently occupied and new, the United Nations

had informed the Secretary that as no agreement had yet been reached with regard to any long-term revised cost-sharing arrangements the provision of space arrangements should continue through 1998 subject to the proviso that should additional costs be incurred as a result of the Fund requiring more space such costs both in terms of actual additional space and the cost of moving would be met by the Fund from its own resource.

30. Since the inception of the Fund, the United Nations has always provided office space to the Fund, both at United Nations Headquarters and at the United Nations Office at Geneva, free of charge; however, in recent years, the Fund has paid some $1.5 million to construct modular workstations and to purchase related office furniture, in order to use more densely the currently available space. The Secretary stressed that the urgent need for, and potential costs of, additional office space would be among the most important matters to be addressed during the remainder of 1997 and in the long-term concept paper on administrative arrangements to be presented to the Board in 1998.

31. The Secretary also indicated that the inevitable result of changing significantly the administrative arrangements between the Fund and the United Nations would be a substantial increase in the administrative expenses to be charged against the resources of the Fund. That in turn would require a change in the relevant assumption used in the actuarial valuations of the Fund (see paras. 71-74 below), and the consequent determination of the required rate of contribution for actuarial balance. Moreover, as the size and scope of the Fund's operations grew, with a corresponding increase in its requests for administrative, financial, personnel and conference services from the United Nations, the efficiency and effectiveness of the Fund's operations could be adversely impacted if the Fund were not able to receive the same timely attention it had received during earlier years, because of administrative and financial pressures and priorities facing the United Nations. These pressures have no doubt contributed to the apparent change in the position of the United Nations as regards: (a) its host organization commitments to the Fund; and (b) the continuing viability of the current administrative arrangements between the United Nations and the Fund in general, and the appropriate cost sharing in particular.

32. The Standing Committee's views on the three short-term logistical requirements are reflected in its observations and decisions regarding the revised estimates for the biennium 1996-1997, in the case of office space, and in the proposed programme budget for the biennium 1998-1999, in the cases of mainframe computer costs and audit costs. The longer-term arrangements with respect to these matters will be addressed further in the concept paper that the Secretary has been requested to prepare for the Board in 1998 (see paras. 33-45 below).

C. Concept paper on present and future administrative arrangements between the Fund and the United Nations and other member organizations

33. The Standing Committee considered a preliminary note on the present nature of the administrative arrangements between the Fund and the United Nations and other member organizations of the Fund, together with an analysis of their adequacy for the Fund's operations over the next 10 years or longer. The Board had requested that the note should provide, inter alia: (a) an outline of the proposed areas requiring studies to determine the requirements of the Fund in the future, in the light of the growing complexities of the pension system and the investment operations, as well as the actuarial projections of the size of the Fund over the next 10 years or longer; and (b) an assessment of the long-term adequacy of the current administrative arrangements, including those required for performing the local pension secretariat services for the United Nations and for the discharge by the Secretary-General of his fiduciary responsibilities for the investment of the assets of the Fund. The Board had requested the Standing Committee to review the note by the Secretary and to provide recommendations for follow-up action.

34. The Board had requested the Secretary to prepare the note in cooperation with the United Nations administration. However, because of the heavy involvement of the designated representatives of the United Nations in the preparation of the United Nations regular budget for the biennium 1998-1999 and in reviews related to reforms in the Organization, the limited discussions held between staff of the United Nations and that of the Fund were focused primarily on the short-term logistical requirements of the Fund secretariat. Therefore, the note regarding the concept paper was prepared by the Secretary.

35. Based on detailed statistics on the annual evolution of the operations of the Fund over the last 25 years (1971-1996), which are reproduced in annex II, as well as the assumptions used in the most recent actuarial valuations of the Fund, projections were made as to the growth of the Fund over the next 10 years. The table below provides a summary of that data for 1996, and, as projected to the years 2001 and 2006:

		1996	2001	2006	Percentage increase 2006/1996
		(Million United States dollars)			
A.	Market value of assets	16 913.4	25 431.9	38 240.9	126.1
B.	Principal of the Fund	13 312.1	18 956.4	26 994.0	102.8
C.	Contribution Income	800.7	998.5	1 245.1	55.5
D.	Benefit costs	915.0	1 436.5	2 234.1	144.2
E.	C minus D	(114.3)	(438.0)	(989.0)	765.3
F.	Number of participants	67 997	70 933	73 983	8.8
G.	Number of periodic benefits	41 433	53 159	68 203	64.6
H.	Ratio G:F	1.6:1	1.3:1	1.1:1	
I.	Staffing (number)	136	...	...	...
J.	Administrative expenses (dollars)	21 293 600	...	...	...

36. Given the global nature of the Fund's coverage, its benefit provisions and investment portfolio, the complexities of managing the Fund can be expected to grow in the future. This would have implications, not only as regards the number of staff required, but also for the infrastructure to administer a large, independent, international and inter-agency operation. At present, a significant portion of the administrative infrastructure of services and facilities is provided to the Fund by its member organizations. Organizations other than the United Nations provide these services through their respective local pension secretariats and the staff assigned thereto, and through the related services and facilities financed by the member organizations. As indicated earlier, the administrative arrangements between the Fund and the United Nations and its affiliated programmes are far more comprehensive because: (a) the United Nations General Assembly established the Fund, serves as the exclusive legislative body for the United Nations pension system and has decision-making authority over the administrative expenses of the Fund; (b) the United Nations Secretariat serves as the host organization for the Fund; (c) the fiduciary responsibility for the investments of the Fund has been delegated to the United Nations Secretary-General since the inception of the Fund; and (d) the Fund's central secretariat provides local pension secretariat services for the United Nations and its affiliated programmes, in respect of which a subvention is made in section I of the regular budget of the United Nations.

37. In his note, the Secretary observed that, during the recent years of growth in the size, scope and operational complexities of the Fund, including the management of the investments, the member organizations have had to respond to increasing demands for reform, streamlining and restructuring of their own operations and costs. In short, as a consequence of "downsizing" in many member organizations, the Fund's operations have "upsized" more rapidly than had been anticipated. Such developments have impacted on the services, facilities and priorities that the member organizations are able to provide in meeting the Fund's pension servicing responsibilities, as part of their contribution to the overall administration of the Fund under article 4 of the Regulations. There have been recent indications of at least three possible future developments: (a) some organizations may seek to reduce their budget costs by outsourcing their local pension secretariat services to the Fund's central secretariat, where this would be feasible and cost-effective; (b) some may make reductions in the resources provided to their local pension secretariats, which may lead to serious difficulties in carrying out their pension-related obligations in a timely and efficient manner; and (c) some others may seek to charge the Fund for the services and facilities they have provided in the past.

38. The Secretary indicated that an assessment of the future administrative requirements of the Fund secretariat could not be separated from possible developments in its member organizations as regards their continuing commitment to provide services and facilities to the Fund commensurate with the growing requirements of the Fund. Among the questions posed by the Secretary were the following:

(a) Should it be assumed that the quantity and quality of the services and facilities provided by the organizations in the past will continue and, if so, to what extent will they be adjusted in the future to take into account the growth of the Fund?

(b) Should the Fund develop a strategy of pursuing greater or total self-reliance in its operations?

39. Depending on the answers to the above questions, dramatic increases could result in the administrative expenses of the Fund. Total self-reliance would require that the Fund purchase or lease premises, establish its own services for personnel (recruitment, promotion, separations, etc.), finance (payroll, accounting system, etc.), computer and communications, general and conference services (premise management and maintenance, procurement, security, translation and reproduction of documents, mailing, etc.). The Fund secretariat does not have among its current staff the necessary expertise to undertake an assessment of what would be needed in each of these areas and the costs thereof, let alone to carry out the range of functions involved. There would, in the first instance, be the need to retain either outside consultants, or to obtain on a loan basis the services of officials from the member organizations with the requisite expertise, or a combination of the two.

40. During the discussions in the Standing Committee, some members stressed that any assessment of the future administrative requirements of the Fund secretariat could not be separated from possible developments in some or all of the member organizations, especially if they could affect their continuing

commitment to provide services and facilities to the Fund. The Standing Committee recognized that the pursuit of greater self-reliance by the Fund, or the future apportionment of charges to the Fund for services and facilities currently provided by its member organizations, would substantially increase the administrative expenses of the Fund.

41. The Standing Committee agreed that the longer-term study to be presented to the Board in 1998 must examine in depth all aspects of the future relationship between the Fund and the United Nations and the other member organizations. In particular, the future of the Fund's current administrative and financial arrangements with the United Nations would have to be analysed, bearing in mind the special relationship that exists between the United Nations and the Fund, for the reasons set out in paragraph 36 above.

42. The Standing Committee stressed the need, in the preparation of the longer-term paper, for close consultation between the Secretary and the United Nations administration, aimed at resolving to the maximum extent the difficulties that arose during the consideration by the Standing Committee of the Fund's proposed budget for the biennium 1998-1999. The Standing Committee decided in this context that the Secretary should seek advice and suggestions from a wide range of persons with extensive administrative knowledge and management experience in respect of the operations of the Fund, the Pension Board and the United Nations common system.

43. The Standing Committee also recognized that the longer-term study would have to assess the potential impact of changes in the current administrative arrangements on the operations of the Fund and on its administrative expenses, as well as on the costs that would be borne by the Fund's member organizations. However, it was essential to ensure that the Fund would continue to be provided adequate resources to discharge its responsibilities effectively and efficiently. It was further indicated that the study should address issues related to the structure of the Fund secretariat, including the respective areas of responsibility conferred by the Fund's Regulations on the Secretary of the Board and, with respect to the Fund's investments, on the Secretary-General.

44. Several speakers expressed the importance of constructive cooperation by all parties involved in assessing the operational requirements of the Fund and in determining the appropriate administrative arrangements and cost sharing between the Fund and its member organizations. They noted that pensions represented a key component of the conditions of service and of the human resources management of the Fund's member organizations. It was also stated that, in the preparation of the longer-term study, due attention should be given to ensuring that any proposed cost-sharing formula regarding facilities and services for the Fund was based on defined standards and principles, and complied with the requirements of article 15 of the Fund's Regulations.

45. The Standing Committee agreed that, in considering the future long-term administrative arrangements of the Fund, the Secretary should not be constrained by purely budgetary considerations. It was of paramount importance that, whatever administrative arrangements were proposed, they should enable the Fund secretariat to administer properly a large, independent, international and

inter-agency pension system whose responsibility towards Fund participants and beneficiaries would extend far into the future.

III. REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

46. In section VII of its resolution 50/216 of 23 December 1995, the General Assembly approved expenses, chargeable to the Fund, totalling $40,208,300 (net) for the biennium 1996-1997, for the administration of the Fund. This amount comprised $13,502,600 for Administrative costs, $26,263,500 for Investment costs and $442,200 for Audit costs.

47. In 1996, pursuant to article 15 (b) of the Fund's Regulations, the Board submitted revised estimates for the biennium 1996-1997 amounting to $41,395,500, which were approved by the General Assembly in section VII of its resolution 51/217 of 18 December 1996. These estimates consisted of administrative costs of $13,979,000, investment costs of $26,974,300 and audit costs of $442,200. The increase of $1,187,200 over the initial estimates for the biennium comprised $476,400 for administrative costs related, for the most part, to the enhancement of the Fund's computer operations in conjunction with the shifting of the Fund's mainframe applications from the New York Computer Service to ICC in Geneva, and $710,800 for investment costs related to additional staffing costs ($120,800) and custodial fees ($590,000).

48. The revised appropriations for the biennium 1996-1997 were reviewed, taking into account actual expenditures during 1996, current expenditure trends and additional needs. The Secretary of the Board requested, and the Standing Committee approved for submission to the General Assembly, revised estimates for the biennium 1996-1997 amounting to $45,426,800, an increase of $4,031,300 over the revised appropriations of $41,395,500 approved by the General Assembly in 1996. The proposed increase, at 1997 rates, consists of $200,000 for administrative costs and $3,831,300 for investment costs. Table 1 below provides a summary of the revised requirements for 1996-1997 by component of the Fund's budget: administrative costs, investment costs and audit costs. The tables in annex III provide a breakdown of the revised requirements, for the biennium 1996-1997, by objects of expenditure within each of the three components.

Table 1. Summary of revised estimates for the biennium 1996-1997 by component

(Thousands of United States dollars)

Cost components	Revised appropriations (1)	Decisions of policy-making organs (2)	Other changes (3)	Adjustments to standard costs (4)	Rates of exchange (5)	Inflation (6)	Total requirements (2+3+4+5+6) (7)	Revised estimates (1+7) (8)
Administrative costs	13 979.0	200.0	0.0	0.0	0.0	0.0	200.0	14 179.0
Investment costs	26 974.3	3 831.3	0.0	0.0	0.0	0.0	3 831.3	30 805.6
Audit costs	442.2	0.0	0.0	0.0	0.0	0.0	0.0	442.2
Total	41 395.5	4 031.3	0.0	0.0	0.0	0.0	4 031.3	45 426.8

A. Administrative costs

Office furniture and fixtures

49. The Secretary of the Board informed the Standing Committee that he had made representations to the United Nations concerning the Fund's immediate need for additional space for offices/workstations to accommodate: (a) new staff being recruited against posts already approved in the 1996-1997 budget; (b) the internal auditors (full time); and (c) the external auditors (12 weeks per year), consultants, trainees, interns, etc., who worked in the Fund from time to time. The space needs concerned both the administrative and the investment operations. On the assumption that the United Nations would provide such space before the end of 1997, and without charge, as has been the practice since the inception of the Fund, the Secretary requested additional resources estimated at $200,000 each under both administrative costs and investment costs on a contingency basis, to meet the costs of constructing (or reconstructing) and furnishing the required offices.

B. Investment costs

50. The additional resources requested under investment costs, amounting to $3,831,300, related to increased requirements for advisory and custodial fees ($4,000,000), investment consultants ($9,700), data processing ($104,100), supplies for producing documentation for the Investments Committee ($6,800) and the cost of refurbishing additional office space ($194,900), partially offset by reductions in the requirements for overtime ($15,900), training ($6,900), travel of members of the Investments Committee ($38,100), communications services ($11,000), hospitality ($3,600), bank charges ($359,100) and Investment Reference Services ($49,600).

51. Overtime. Owing to improved procedures and systems, the resources required for overtime may be reduced by $15,900, from $35,900 to $20,000.

52. Advisory and custodial fees. In 1996, the Board recommended, and the General Assembly approved, an increase of $590,000 in the resources required for custodial fees, based on the assumption that the market value of the Fund's investment portfolio would rise to $16 billion in 1996 and $17 billion in 1997 (compared with the preliminary estimates of $15 billion and $16 billion, respectively). With the continuing rapid market growth and with sound management, the value of the Fund assets had exceeded those estimates, reaching $17 billion by late 1996 and $18 billion in May 1997. There continues to be a linkage between the market value of the Fund's portfolio and the advisory and custodial fees; however, the extent of the linkage has been reduced. In an effort to contain increases in the advisory fees, the new arrangements implemented in January 1997, involving three institutional advisors rather than one, were based on flat-fee contracts. However, the advisory fees for the Small Cap funds (which were managed on a discretionary basis) were still based on the market value of those funds, which have grown by about 8 per cent. Therefore, the costs of advisory and custodial fees for the biennium 1996-1997 are estimated at $24 million ($17 million for advisory fees and $7 million for custodial fees), an increase of $4 million over the previously revised appropriation of $20 million.

53. Investment consultants. As a result of contract negotiations for new advisory relationships and the unanticipated replacement of the custodians in one region, it is estimated that legal expenses for 1996-1997 will be greater than originally expected. Therefore, additional resources amounting to $9,700 are requested, increasing the total resources required from $155,300 to $165,000.

54. Investments Committee. Based on the actual attendance of members of the Investments Committee to date, the resources required under this item may be reduced by $38,100, from $348,100 to $310,000.

55. Investment reference services. Based on the actual expense incurred thus far, the resources required may be reduced by $49,600, from $579,600 to $530,000.

56. Communications services. The communications links with all regional custodians and data services for the Portfolio Management System are now fully established, with the final phase of this project having been completed in 1996. The costs under this item are now estimated at $193,800 for the 1996-1997 biennium, a reduction of $11,000 from the $204,800 initially requested.

57. Data processing. As a result of the need to upgrade the existing computer applications and equipment and to purchase equipment for new staff, additional resources, amounting to $104,100, are requested, increasing the original estimate from $250,900 to $355,000.

58. Hospitality. The resources required under this item may be reduced by $3,600, from $5,100 to $1,500.

59. Miscellaneous supplies and services. Additional resources, amounting to $6,800, are requested to meet the higher than expected cost of producing documentation for the Investments Committee, from $51,200 to $58,000.

60. Training. A reduction of $6,900 may be made under this item, from $40,900 to $34,000.

61. Bank charges. As a result of the more cost-effective and efficient arrangements made with the Fund's banking institutions, a reduction of $359,100 may be made in the anticipated bank charges, from $859,100 to $500,000.

62. Office furniture and fixtures. The resources requested under this item are increased by $194,900, from $5,100 to $200,000, on a contingency basis, for the purpose of meeting the additional costs of constructing (reconstructing) and furnishing offices for the Investment Management Service, should more office space be provided by the United Nations.

C. Views of the Standing Committee

63. During the discussions on the revised estimates proposed by the Secretary, the Standing Committee focused primarily on the request for contingency provisions for office space and on the increase in the costs of advisory and custodial fees.

64. With respect to the office space situation, the Standing Committee was informed of the indications given by the United Nations administration that it may not be possible to provide the Fund with additional office space within the main Secretariat building and that, if additional space is found, whether in the main Secretariat building or elsewhere, the intention would be to charge the Fund for any additional costs incurred by the United Nations, both in terms of the cost of the actual additional space and of the cost of moving or construction (see para. 29 above). At present, the United Nations is providing approximately 23,965 square feet of office space, which is valued at $862,740 per year, without charge to the Fund.

65. Since the United Nations could not confirm that additional office space would be made available during 1997, some members of the Standing Committee proposed the elimination of the contingency provisions to cover the reconstruction and refurbishing of such space. However, considering that the Secretary may have to pursue restructuring of the current office space, should no additional space be provided, the Standing Committee decided to retain the contingency provision in the revised estimates to be submitted to the General Assembly. However, it stressed that the amount requested for office space ($400,000) should be used exclusively for meeting the reconstruction and refurbishing costs of new office space, or the redesign of existing office space if no new space were available, and not for the rental of space. The Secretary confirmed that the resources requested would be returned to the principal of the Fund if not spent for the purpose indicated. The Standing Committee requested the Secretary to submit to the Board, at its next session, a post facto report on the actual use of these contingency provisions.

66. As regards the additional costs of advisory and custodial fees, some members of the Standing Committee noted that the increase in those estimated costs was proportionately higher than the increase in the value of the Fund's investment portfolio. It was explained that, although agreements reached with

the Fund's advisors and custodians were now on a flat-fee basis, the increase in transactions generated higher costs; in addition, the fees for a number of Small Cap funds could not be based on favourable flat rates and, therefore, remained linked to the market value of those funds. In approving the budget proposals under investment costs, the Standing Committee reiterated its satisfaction with the management of the investments of the Fund.

67. The Standing Committee approved the submission to the General Assembly of revised estimates for the biennium 1996-1997 amounting to $45,426,800, broken down by cost components and objects of expenditure as set out in annex III.

IV. BUDGET ESTIMATES FOR THE BIENNIUM 1998-1999

A. Summary of the budget proposals of the Secretary of the Board and the views of the Standing Committee thereon

1. Summary of the budget proposals of the Secretary of the Board

68. The budget estimates chargeable to the Fund submitted by the Secretary for the approval of the Standing Committee for the biennium 1998-1999 amounted to $52,403,000, as compared to the budget initially approved and the revised estimates for the biennium 1996-1997, of $40,208,300 and $41,395,500, respectively. The total resources requested include $17,880,800 for administrative costs, of which $1,535,730 were non-recurrent; $33,942,900 for investment costs, all recurrent; and $579,300 for audit costs, which were also considered recurrent. In respect of administrative costs, the estimates for established posts, common staff costs and overtime were net of the one-third subvention in the proposed programme budget of the United Nations for the biennium 1998-1999.

69. The budget estimates reflect the current standard costings and inflation assumptions used by the United Nations in its proposed programme budget for the biennium 1998-1999. The United Nations budget format has also been followed, under which the proposed budget estimates for the biennium 1998-1999 are compared with the revised approved appropriations for the biennium 1996-1997 and with the actual expenditures for the biennium 1994-1995. It should be noted that the "recosted" figures include the impact of changes from the initial standard costings and inflation assumptions used in the approved initial appropriations for the biennium 1996-1997; unlike the regular budget of the United Nations, and as has been past practice, the Fund's budget was not recosted as of the end of 1996.

70. Table 2 below provides a summary of the resources requested by the Secretary of the Board for the three components of the Fund's budget.

Table 2. Summary of requirements by component

(Thousands of United States dollars)

Cost components	1994-1995 expenditures	1996-1997 appropriations	Resource growth		Total before recosting	Recosting	1998-1999 estimates
			Amount	Percentage			
Administrative costs	12 384.8	13 979.0	3 862.9	17.7	17 841.9	38.9	17 880.8
Investment costs	25 049.4	26 974.3	6 161.7	22.5	33 136.0	806.9	33 942.9
Audit costs	27.1	442.2	118.5	26.7	560.7	18.6	579.3
Total	37 461.3	41 395.5	10 143.1	21.0	51 538.6	864.4	52 403.0

71. The resources requested by the Secretary to cover administrative costs for the biennium 1998-1999 amounted to $17,880,800, which constituted a resource growth of $3,862,900, or 17.7 per cent, at 1997 rates. The recurrent costs amounted to $16,345,070 and represented approximately 0.206 per cent of the estimated total pensionable remuneration for the biennium 1998-1999. If audit costs ($579,300) were taken into account, since they had previously been included under administrative costs, the percentage of total pensionable remuneration would increase to 0.214 per cent. The corresponding percentages for the initial and proposed revised recurrent administrative costs and audit costs for the biennium 1996-1997 were 0.189 and 0.176 per cent, respectively. In the last four actuarial valuations of the Fund, provision for administrative costs was made at the level of 0.18 per cent of total pensionable remuneration. The background to this actuarial assumption is described in paragraphs 72-74 below.

72. The 1960 Pension Review Group had recommended that the desirable upper limit on administrative expenses (other than investment costs) chargeable to the Fund should be set at 0.14 per cent of total pensionable remuneration, although it recognized that such costs might eventually rise to as much as 0.18 per cent. In 1985, the Committee of Actuaries reviewed the 0.14 rate and concluded that 0.20 per cent of pensionable remuneration for administrative costs could be justified in the light of developments in the previous 25 years, such as: (a) the higher ratio of retired to active participants; (b) the growing complexity of the pension system; and (c) the reductions, at the time, in the scale of pensionable remuneration of Professional and higher-level staff. However, as a spur to financial stringency and efficiency, the Committee recommended that the limit be set at 0.18 per cent of total pensionable remuneration.

73. The established limits on the Fund's administrative costs, including audit costs, were set on the implicit understanding that the United Nations, as the host organization, would continue to provide facilities and services without charge, or at nominal cost, and that there would be a subvention in the United Nations budget to cover, inter alia, work carried out by the Fund secretariat in serving as the local pension secretariat of the United Nations.

74. At its meeting in June 1995, the Committee of Actuaries observed that the ratio of administrative expenses to benefit payments compared favourably with

the Administrative costs incurred by other pension funds and social security systems, including United States Social Security and that that was particularly significant considering the size, worldwide scope and the administrative complexity of the United Nations pension plan. At its meeting in 1997, the Committee of Actuaries reviewed the administrative costs in the most recent financial statements for the Fund and noted that as the number of retirees continued to grow, the administrative expenses of the Fund would be likely to increase. The Committee recommended that in future the combined provisions for administrative and audit costs should be related to the level of both pensionable remuneration and total benefit costs. The Committee also indicated its intention to review, at its next meeting in 1998, the assumption to be made as regards the level of the combined administrative and audit costs to be reflected in future actuarial valuations of the Fund.

75. As regards staffing under administrative costs, the Secretary did not request additional resources for established posts at that time, for the following reasons: (a) to defer assessing the longer-term staffing needs of the Fund's secretariat until all its new computer application systems were in place; and (b) to take into account the United Nations budgetary restraint during the biennium 1998-1999, as well as the review to be undertaken by the Board in 1998 of the current administrative arrangements between the Fund and the United Nations and the other member organizations. As indicated in paragraph 8 above, one third of the total cost of established posts in the Fund (excluding posts in the Investment Management Service) are charged to the United Nations budget, since the Fund secretariat serves as the local pension secretariat for the United Nations. All additional staffing required for the biennium 1998-1999 was therefore reflected under temporary assistance, which is fully charged to the Fund's resources. The resources requested under temporary assistance ($881,500) involved a resource growth of $246,600, at 1997 rates.

76. As regards investment costs, the resources requested by the Secretary for the biennium 1998-1999 amount to $33,942,900, which constituted a resource growth of $6,161,700, or 22.5 per cent, at 1997 rates. The net resource growth related, for the most part, to the costs of advisory and custodial fees ($6,300,000). The establishment of a global network of custodians and subcustodians had begun in late 1993 and continued during the biennium 1996-1997. In January 1997, new advisory arrangements were introduced which consist of three institutional advisers, instead of one.

77. As regards staffing of the Investment Management Service, additional resources ($321,000) were requested relating to the upgrading of one P-3 post to the P-4 level and the addition of two new General Service (Principal level) posts to assist the two new P-5 officers to be recruited against the posts approved in 1996. The proposed reclassification of the P-3 post to the P-4 level and the proposed level of the two new General Service posts have been confirmed by the Compensation and Classification Service of the Office of Human Resources Management of the United Nations Secretariat.

78. The representative of the Secretary-General for the investments of the Fund also reiterated the importance he attached to the classifications of the posts of the Chief and Deputy Chief of the Investment Management Service to D-2 and D-1, respectively, which he had conveyed to the Standing Committee in 1995 and

to the Board in 1996. The Board had decided that it would revert to consideration of the level of the post of Chief of the Service in 1998. The representative of the Secretary-General expressed the hope that the Board would take a positive decision on this matter at its next session. In his view a further delay in restructuring the Service would soon have a negative impact on the Fund (see also paras. 115-117 below).

79. As regards audit costs, the Secretary requested resources for the biennium 1998-1999 amounting to $579,300, which constituted a resource growth of $118,500, or 26.7 per cent, at 1997 rates. The breakdown as between the internal audit costs and external audit costs charged to the Fund was $421,700 and $157,600, respectively (see paras. 12-17, 26 and 27 above).

2. Views of the Standing Committee

80. Discussions in the Standing Committee on the Secretary's budget proposals focused mainly on the administrative costs and, in particular, on the decision of the United Nations to allocate to the individual users all charges related to computer mainframe operations, now carried out at the International Computing Centre at Geneva. The United Nations also decided, pending the completion of the longer-term study on the administrative arrangements between the Fund and the United Nations, not to include any portion of the Fund's mainframe computer costs in the United Nations 1998-1999 budget proposals, notwithstanding the fact that the Fund's mainframe usage encompasses work performed as the local pension secretariat for the United Nations. This constituted a significant departure from past practice and was the main factor contributing to the resource growth of 17.7 per cent in the recurrent administrative costs. As a result, in the proposals submitted by the Secretary, the total recurrent administrative and audit costs for the biennium 1998-1999 would have amounted to 0.214 per cent of the projected total pensionable remuneration, as against the ceiling of 0.18 per cent assumed in the actuarial valuations of the Fund.

81. The Standing Committee noted that the Secretary had had no alternative but to include in his budget proposals for the biennium 1998-1999 the entire mainframe costs of $2,966,600 for its estimated proportional usage of ICC. If the charges had been maintained at the level for the previous biennium ($559,100) with an inflation adjustment, the recurrent administrative and audit costs for 1998-1999 would have been $14,542,070, representing approximately 0.184 per cent of total pensionable remuneration; the resource growth for administrative costs would have been 0.2 per cent, instead of 17.7 per cent.

82. In order to isolate the impact of the United Nations decision, the Standing Committee requested and reviewed a breakdown of the Administrative costs as submitted by the Secretary, separating the cost of ICC computer services from the normal presentation of such costs under three objects of expenditure: contractual services, general operating expenses and equipment. The result is summarized in table 3 below.

Table 3. Summary by object of expenditure: administrative costs

(Thousands of United States dollars)

Object of expenditure	1994-1995 expenditures	1996-1997 appropriations	Resource growth		Total before recosting	Recosting	1998-1999 estimates
			Amount	Percentage			
Posts	8 975.0	9 937.7	0.0	0.0	9 937.7	795.4	10 733.1
Other staff costs	718.7	719.4	251.4	0.6	1 042.8	56.5	1 099.3
Travel	160.4	262.5	0.0	0.0	262.5	(55.6)	206.9
ICC services	0.0	0.0	2 879.0	0.0	2 879.0	87.6	2 966.6
Other contractual services	1 089.6	859.6	517.2	(19.0)	1 376.8	(255.7)	1 121.1
General operating expenses	808.5	1 417.7	(455.1)	(42.7)	962.6	(324.7)	637.9
Supplies and materials	182.8	105.7	195.3	65.8	301.0	9.6	310.6
Equipment	449.8	604.4	475.1	0.0	1 079.5	(274.2)	805.3
Total	12 384.8	13 979.0	3 862.9	17.7	17 841.9	38.9	17 880.8

83. The Committee noted further that the de facto United Nations/UNJSPF mainframe computer cost sharing for the biennium 1996-1997 had been approximately 75/25 per cent. The sudden change reflected in the United Nations decision not to include any part of the costs of the Fund's usage of the ICC computer services in its regular budget proposals for the biennium 1998-1999 and to shift the full cost to the Fund's budget becomes a consequent budget reduction for the United Nations. However, section I of the proposed programme budget of the United Nations for the biennium 1998-1999 includes a provision of $5,799,500 towards the United Nations share of the administrative costs of the Fund secretariat related to the services it provides to the United Nations as its local pension secretariat (this total amount includes $3,289,800 as the United Nations share and $2,509,700 as the UNDP/UNICEF share). In addition, the United Nations has provided a number of services and facilities, including mainframe computer services.

84. Most members of the Standing Committee expressed concern with the way the decision of the United Nations administration was reached to change the long-standing arrangements, without the Pension Board or the Standing Committee having had the possibility first to consider the matter. This would modify the long-standing relationship between the United Nations and the Fund and would result in savings for the United Nations at the expense of the Fund.

85. If the mainframe computer costs were to be equally shared between the United Nations and the Fund on a provisional basis, as had been suggested by the Secretary, the mainframe costs chargeable to the Fund would be $1,483,300 and would result in total administrative costs of $16,397,500. Table 4 below provides the consequent breakdown by object of expenditure:

Table 4. Summary by object of expenditure: administrative costs

(Thousands of United States dollars)

Object of expenditure	1994-1995 expenditures	1996-1997 appropriations	Resource growth		Total before recosting	Recosting	1998-1999 estimates
			Amount	Percentage			
Posts	8 975.0	9 937.7	0.0	0.0	9 937.7	795.4	10 733.1
Other staff costs	718.7	791.4	251.4	0.6	1 042.8	56.5	1 099.3
Travel	160.4	262.5	0.0	0.0	262.5	(55.6)	206.9
ICC services	0.0	0.0	1 439.5	0.0	1 439.5	43.8	1 483.3
Other contractual services	1 089.6	859.6	517.2	(19.0)	1 376.8	(255.7)	1 121.1
General operating expenses	808.5	1 417.7	(455.1)	(43.7)	962.6	(324.7)	637.9
Supplies and materials	182.8	105.7	195.3	65.8	301.0	9.6	310.6
Equipment	449.8	604.4	475.1	0.0	1 079.5	(274.2)	805.3
Total	12 384.8	13 979.0	2 423.4	7.0	16 402.4	(4.9)	16 397.5

86. After extensive discussions, during which no agreement could be reached as regards the sharing of the mainframe computer costs, the Standing Committee decided, with some reservations, to propose resources in the Fund's budget for the biennium 1998-1999 that would include the provision of $1,483,300 for mainframe computer costs, that is, total administrative costs of $16,397,500 instead of $17,880,800. That was to be done on the understanding that the Board would consider the matter further in 1998, in the context of the study of the administrative arrangements between the Fund and its member organizations, and in particular, the review to be carried out of the services and facilities provided over the years to the Fund by the United Nations and vice versa; and any consequent proposals to modify the current long-standing cost-sharing arrangements between the Fund and the United Nations. The Board would report to the General Assembly next year on the administrative arrangements, including those related to the cost of mainframe computer operations, so as to ensure that the Fund would be able to meet its servicing responsibilities to participants and beneficiaries.

87. The Standing Committee requested the Secretary to amend his proposed budget for the biennium 1998-1999 to reflect the changes set out in paragraphs 85 and 86 above as regards the computer mainframe costs to be included, pending further review of the cost-sharing arrangements by the Board in 1998.

88. With respect to the internal audit costs, the Standing Committee agreed with the proposal of the Secretary that, bearing in mind the relatively short period that the Office of Internal Oversight Services has performed the internal audit function for the Fund, the task should continue to be assigned to the Office for the biennium 1998-1999, and concurred with the resources requested by the Secretary (see para. 17 above). The Standing Committee also requested that, in future, more extensive performance reports should be provided, outlining the

work done by the Office, as well as the results of the auditing and follow-up action by the Fund secretariat, including the investments area.

89. Some members of the Committee reiterated their position that, in the longer term, the Fund would benefit most from the establishment of its own internal audit unit within the Fund secretariat. In accordance with the decision taken by the Board in 1996, the current arrangements will be reviewed by the Board in 1998 and then by the Standing Committee in 1999, in the context of the preparation of the Fund's proposed budget for the biennium 2000-2001.

90. As to the external audit costs, the Standing Committee agreed to the proposal of the Secretary that the Fund assume the full amount of the increase, as determined by the United Nations Board of Auditors, for the biennium 1998-1999, as a step towards establishing a more reasonable and fair sharing of such costs (see paras. 26 and 27 above).

91. The Standing Committee also agreed that the appropriate sharing of both internal and external audit costs would have to be reviewed as part of the longer-term study of the administrative arrangements between the United Nations and the Fund. A member representing the General Assembly expressed the view that the United Nations should continue to meet most of the external audit costs for the Fund, as such costs related to the Fund's accountability to the General Assembly.

92. The Standing Committee made no other changes in the Secretary's budget submission.

B. Budget proposals for the biennium 1998-1999 as approved by the Standing Committee for submission to the General Assembly

93. In the light of the views and conclusions of the Standing Committee set out in paragraphs 85 to 92 above, the proposed budget for the Fund, for the biennium 1998-1999, submitted herein for the approval of the General Assembly, amounts to $50,919,700. Table 5 below provides a breakdown of the proposed estimates, as approved by the Standing Committee, which reflect a resource growth of $8,703,600 over the revised approved appropriation of $41,395,500 for the biennium 1996-1997.

Table 5. Summary of requirements by component

(Thousands of United States dollars)

Cost components	1994-1995 expenditures	1996-1997 appropriations	Resource growth		Total before recosting	Recosting	1998-1999 estimates
			Amount	Percentage			
Administrative costs	12 384.8	13 979.0	2 423.4	6.9	16 402.4	-4.9	16 397.5
Investment costs	25 049.4	26 974.3	6 161.7	22.5	33 136.0	806.9	33 942.9
Audit costs	27.1	442.2	118.5	26.7	560.7	18.6	579.3
Total	37 461.3	41 395.5	8 703.6	17.5	50 099.1	820.6	50 919.7

1. Administrative costs

94. A breakdown of the administrative costs by the consolidated objects of expenditure is as set out in the table in paragraph 85 above. The amount included for ICC mainframe computer services corresponds to only 50 per cent of the estimated cost of Fund usage for the forthcoming biennium. It reflects the decision taken by the Standing Committee and will have to be re-examined by the Board in 1998 in the light of developments, so as to ensure that the Fund will be able to meet fully its servicing responsibilities to participants and beneficiaries.

Activities

95. It will be recalled that the Board had based its budget proposals for the biennium 1990-1991 on the results of a comprehensive study of the administrative and operational capacities of the Fund's secretariat, carried out by outside consultants. The consultants had recommended the development of a strategy to replace the existing computer systems with a fully integrated system based on the latest technology, which would integrate applications hardware needs with telephone communications, document imaging equipment, word processing capabilities, and data linkages. That is, voice, data, image and text handling should ultimately be integrated. The budget for the biennium 1990-1991 also included resources to initiate changes in the organizational structure and operations of the Fund's secretariat, including the expansion of the role of the Geneva office and the improvement of the office accommodation of the Fund's secretariat.

96. In the years following the Board's adoption of the results of the comprehensive study, the approved budgets included resources to develop and implement successive phases of the computer project and of consequent changes in the organizational structure and operations of the Fund secretariat. The activities related to the computer project included (a) development of three priority mainframe-based applications of a new integrated system (PENSYS), namely the Operations Control System, the Benefit Processing System and the Participant System; (b) selection and development of an Optical-disk Based Imaging System (OBIS); (c) conversion of the Fund's hard-copy records (more than 2.5 million pages) to an optical disk medium; (d) the development and implementation of the "work-flow" feature of OBIS for integrating access to optical records with the applications of PENSYS; and (e) telecommunication access to PENSYS and OBIS for staff in the Fund's Geneva office, enabling them to access the records of all participants and beneficiaries, scan incoming and outgoing documents, and open, process and/or forward cases to other staff in Geneva or New York.

97. PENSYS and OBIS, as well as the consequent changes made in the organizational structure and the methods of work, have enabled the Fund to improve and enhance its services and performance objectives. Through the Participant System, information on participants and beneficiaries can be accessed; the Operations Control System provides a facility for setting work priorities, tracking the status of individual cases, monitoring overall performance and generating reports for the use of supervisors and, where necessary, for member organizations as regards the Fund participants employed by

them. The Benefit Processing System now provides the means to pay withdrawal settlements and initial periodic pensions and lump-sum commutations on a more timely basis; benefit revisions can now be automatically processed with the development and implementation of the Benefit Revision Subsystem. The "workflow" processing feature of OBIS routes electronic documentation to work queues and serves as the basis for distributing work to staff and monitoring its progress.

98. The majority of the Fund's computer systems have been developed on the mainframe in the New York Computing Centre of the United Nations. In June 1996, the Fund was informed that the United Nations would shift all mainframe processing to ICC in Geneva by the end of 1996. Faced with that decision, and in the absence of any viable alternatives, the Fund made the necessary arrangements for transferring and consolidating all its mainframe applications with ICC. The actual consolidation took place on 28 April 1997; with an extensive programme of pre-testing by the Fund's staff and the cooperation of ICC personnel, consolidation of the Fund's applications to ICC was successful. However, because of the need to redeploy substantial programming resources to the conversion testing activities, the work plan of the Fund's Information Management Systems Section had to be significantly modified, with revised target dates for the completion of various system initiatives.

99. As for implementation of the Board's decision in 1990 to expand gradually the role of the Geneva office, a number of tasks have been moved to Geneva. This process included the decentralization of the determination and payment, as from June 1991, of withdrawal settlements for participants in the United Nations Office at Geneva, the Office of the United Nations High Commissioner for Refugees (UNHCR) (including the field), the Interim Commission for the International Trade Organization (ICITO)/General Agreement on Tariffs and Trade (GATT), the World Meteorological Organization (WMO) and the World Intellectual Property Organization (WIPO). As from May 1996, the determination and payment of periodic pensions and lump sum commutations have been carried out in the Geneva Office for participants separating from the United Nations Office at Geneva, UNHCR (including its field offices) and, as from October 1996, for the International Telecommunication Union (ITU), ICITO/GATT, WMO, WIPO, World Tourism Organization (WTO), the International Centre for Genetic Engineering and Biotechnology (ICGEB), the European and Mediterranean Plant Protection Organization (EPPO), and for World Health Organization (WHO) and International Labour Organization (ILO) staff in Geneva. It is now planned to decentralize the evaluation of requests for assistance and payments from the Emergency Fund in respect of beneficiaries residing in Europe and in francophone countries of Africa. As equipment, facilities and staff will allow, the medium-term objective is to extend the benefit determination and payment services of the Geneva office to other European-based organizations to take further advantage of (a) the geographical proximity (same time zone), (b) the language commonality (presently the following languages are handled: French, English, as well as German, Italian and some Spanish); and (c) the familiarity with European practices and laws (e.g., banking regulations and practices, handling of proof of residence, dealing with local institutions, authorities, lawyers, medical practitioners, etc.).

100. Notwithstanding the significant increase in the functions assigned to the Geneva office, no additional resources are requested for that office at this time, pending review of a possible redeployment of resources in the future; in this regard it should be noted that the majority of the Fund's staff in New York and in Geneva are in the General Service category.

101. The additional resources requested under administrative costs by objects of expenditure are set out in paragraphs 104 to 113 below.

Post requirements

102. The post requirements for the administrative area of the Fund secretariat, unchanged from those for the biennium 1996-1997, are set out in table 6 below:

Table 6. Post requirements: Administrative area

	Established posts		Temporary posts		Total	
	1996-1997	1998-1999	1996-1997	1998-1999	1996-1997	1998-1999
Professional category and above						
D-2	1	1	-	-	1	1
D-1	2	2	-	-	2	2
P-5	5	5	-	-	5	5
P-4/3	25	25	-	-	25	25
P-2/1	1	1	-	-	1	1
Total	34	34	-	-	34	34
General Service category						
Principal level	4	4	-	-	4	4
Other levels	68	68	-	-	68	68
Total	72	72	-	-	72	72
Grand total	106	106	-	-	106	106

Resource requirements (at current rates)

103. Posts. For the reasons set out in paragraph 75 above, the additional staff support required for the biennium 1998-1999 is reflected under temporary assistance, which is fully charged to the Fund's resources.

104. Other staff costs. Resources requested under this heading ($1,099,300) include $881,500 for temporary assistance; $191,500 for overtime related to reducing work backlogs and to preparing documentation for the Board, the Standing Committee, the Committee of Actuaries, the member organizations of the Fund, and the relevant legislative bodies; and $26,300 for training related mainly to changes in the computer systems.

105. The resources requested under temporary assistance ($881,500) involve a resource growth of $246,600, at 1997 rates, to be utilized to fund: (a) a P-3 UNIX administrator to support the Fund's OCS subsystem and to perform other system administrative duties for a growing computer network; and (b) a General Service (Other Level) staff member in the Records Management Unit, to be responsible for mail opening and document preparation. The volume of work in the Unit has increased significantly over the past biennium, with major increases in the number of documents scanned and OBIS cases opened. The balance of the temporary assistance funding ($634,900), the same level as approved for the biennium 1996-1997, will provide for: (a) administrative and technical support during the implementation of the United Nations Integrated Management Information System (IMIS) and the further implementation of remaining phases of the Fund's computer project; (b) assistance during peak workload periods, and (c) replacements of staff on maternity and extended sick leaves.

106. Travel. The estimated requirements ($206,900) cover the travel and related costs of the Committee of Actuaries ($69,400) and of the staff of the Fund ($137,500). Travel costs for the Committee cover the attendance of its members at the annual meetings, and the attendance of the Committee's Rapporteur at sessions of the Board and the Standing Committee. Staff travel costs include attendance of the Secretary and/or other staff at sessions of the Board, the Standing Committee, the International Civil Service Commission and the Consultative Committee on Administrative Questions, as well as at meetings with the secretaries of local staff pension committees. Provision is also made for periodic official travel between the Fund's New York and Geneva offices and to the headquarters and other offices of member organizations (combined with home leave where possible) to coordinate the services provided to participants and beneficiaries, and to discuss pension matters with staff members and retirees.

107. Contractual services (other than ICC services). The resources requested under this heading ($1,121,100) comprise: (a) $360,600 for services provided by the consulting actuary, including the preparation of the actuarial valuation of the Fund as of 31 December 1997 and related documents, and attendance at sessions of the Board, the Standing Committee and the Committee of Actuaries; (b) $711,200 for consulting services related to the development of the Fund's accounting and year-end systems; and (c) $49,300 for other consulting services to meet the need, which arises from time to time, for expertise not available in-house. The resources for actuarial consulting services ($360,600) reflect a negative resource growth of $106,800, based on a renegotiation of the fee schedule, taking into account that the previous fees reflected the extensive actuarial work during the late 1980s and 1990s to develop, analyse and test modifications to the two-track pension adjustment system. The models developed during those years are now in place to monitor effectively future costs of the various changes made in the pension adjustment system. The development of the Fund's accounting and year-end systems, for which resources amounting to

$711,200 are requested, will be used: (a) to evaluate various alternatives for replacing the existing mainframe-based General Accounting System (i.e., possible customization of the IMIS, in-house development, or the purchase and customization of a software package); and (b) to develop the system(s) most suitable for the Fund's needs.

108. ICC services. The resources requested for ICC mainframe computer services amount to $1,483,300 and represents half of the estimated total costs for the Fund's usage of such services during the forthcoming biennium. The inclusion of a provision for only half of the estimated costs reflects the concern expressed in the Standing Committee with the decision taken by the United Nations administration to change the long-standing arrangements as regards the cost sharing for mainframe computer services, without the Pension Board or the Standing Committee having had the possibility to consider the matter. The breakdown of the amount of $1,483,300 is as follows: $1,339,200 to cover half of the estimated fee charged by ICC for Fund usage; $133,600 for half of the maintenance costs and software upgrades; and $10,500 for half of the cost of ICC-related equipment. This matter will have to be reviewed by the Board and the General Assembly in 1998 in the light of developments.

109. General operating expenses. The resources requested under this heading ($637,900) reflect a reduction of $455,100, which includes the elimination of the past nominal charge of $40,000 for the Fund's use of the United Nations mainframe computer in New York and of $156,100 in the costs of the rental and maintenance of equipment. The total resources requested ($637,900) comprise: (a) $524,400 for rental and maintenance of the Fund's computers and related equipment; (b) $90,900 for miscellaneous supplies and services, including external reproduction of pension information booklets and other materials for member organizations, participants and beneficiaries, and the costs of certified postage of certificates of entitlement forms and cost-of-living notifications to beneficiaries; (c) $12,600 for hospitality; and (d) $10,000 for communications services paid to the United Nations. The rental and maintenance requirements ($524,400) reflect an overall negative resource growth of $415,100, due to the decrease of $519,100 because of the elimination of the past United Nations charge for disk storage space in New York; and an increase of $104,000 for software upgrades of the mainframe and personal computers as well as maintenance costs for the Fund's computers and peripherals.

110. Supplies and materials. The resource requirements under this heading ($310,600) reflect a growth of $195,300, at 1997 rates, and relate to the purchase of supplies for office automation equipment, photocopying machines, optical disks and data processing forms, including the annual statements and certificates of entitlement forms. The additional resources of $195,300, at 1997 rates, include $115,000 for upgrades to existing software and to the purchase of new software for expediting the production of statistical reports and for performance monitoring programmes for the Fund's network and mid-range computer, of which $70,000 is recurrent; $7,500 is for special forms utilized in the mailing of cost-of-living notifications; and $20,000 is for miscellaneous software.

111. Equipment. The total resource requirements ($815,300) reflect a resource growth of $475,100, at 1997 rates, and cover the acquisition and replacement of

personal computers and related peripherals. The resource growth of $475,100 is required:

(a) To upgrade the Fund's mid-range computer, which runs the Optical Based Imaging System and Workflow software ($100,000). The current computer was purchased in 1991 and has so far only been upgraded with memory and disk space. The enhanced computer would increase processor (central processing unit (CPU)) size and would provide significant performance improvements in workflow processing;

(b) To replace the Optical Jukebox ($80,000), also purchased in 1991. The only enhancement made to date has been the addition of another optical disk drive, which marginally improved performance. As the Fund's prefetch and optical retrieval activity continues to grow, so do the number and frequency of optical platter accesses. This increased activity has led to more hardware failures and a higher rate of downtime;

(c) To replace the Fund's main printer with a faster model ($61,700). That printer was purchased in 1993 and should be replaced with a printer capable of supporting the increased volume of certificates of entitlement and cost-of-living notification letters;

(d) To acquire a standard IMIS server to accommodate the Fund's accounting software ($100,000);

(e) To acquire a local area network (LAN) backup system ($8,400). The current LAN backup system is antiquated and has malfunctioned at times. A new system would ensure fast retrieval and restoration of data in the event of electrical disturbances;

(f) To replace one LAN server ($35,000) to support the existing server technology;

(g) To acquire an Internet server and supporting tools ($50,000), which would provide an electronic mail feature and a facility for displaying general pension information and could possibly include a facility for the United Nations and other member organizations to send documentation via the Intranet;

(h) To replace the air-conditioning system in the Fund's computer room ($40,000). The air-conditioning system on the sixth floor of the United Nations Secretariat building, one of the two floors occupied by the Fund secretariat, does not adequately provide the cooling and humidity control necessary to support the Fund's computing environment.

2. Investment costs

112. In preparing the budget proposals for the Fund as a whole, including those relating to the investment operations and to the staffing of the Investment Management Service, it has been the traditional practice for the Secretary to bring to the attention of the Board or the Standing Committee, the views and proposals of the designated representative of the Secretary-General for the

investments of the Fund. On this basis, the Secretary requests, for the biennium 1998-1999, resources amounting to $33,942,900 for investment costs, reflecting a net resource growth of $6,161,700, at 1997 rates, or 22.5 per cent. A breakdown of the Investment costs by the consolidated objects of expenditure used under the United Nations budget format is set out in table 7 below. Annex IV provides a breakdown of costs under both the previous and the consolidated groups of objects of expenditure.

Table 7. Summary by object of expenditure: Investment costs

(Thousands of United States dollars)

Object of expenditure	1994-1995 expenditures	1996-1997 appropriations	Resource growth		Total before recosting	Recosting	1998-1999 estimates
			Amount	Percentage			
Posts	3 077.2	4 167.0	321.0	7.0	4 488.0	720.3	5 208.3
Other staff costs	101.1	117.7	(27.2)	(22.4)	90.5	7.8	98.3
Travel	437.6	578.5	(10.8)	(1.9)	567.7	19.4	587.1
Contractual services	20 335.6	20 155.3	6 324.1	31.4	26 479.4	6.0	26 485.4
General operating expenses	558.9	1 120.2	(462.6)	(41.1)	657.6	24.3	681.9
Supplies and materials	378.5	579.6	(49.9)	(8.6)	529.7	18.3	548.0
Equipment	160.5	256.0	67.1	0.0	323.1	10.8	333.9
Total	25 049.4	26 974.3	6 161.7	22.5	33 136.0	806.9	33 942.9

Programme of work

113. The establishment of a global network of custodians and subcustodians had begun in late 1993 and continued during the biennium 1996-1997. In January 1997, new advisory arrangements were introduced that consist of three institutional advisers, instead of one. The 1996-1997 provision for advisory and custodial fees was based on a portfolio value of $16 billion for 1996 and $17 billion for 1997. The market value of those assets reached $17 billion by late 1996 and $18 billion in May 1997. While the new advisory arrangements implemented in January 1997 involve flat fees for each of the three advisors, the advisory fees for the Small Cap funds continue to be based on the market value of those funds, which have grown by about 8 per cent. Based on these developments, the breakdown of the estimated advisory and custodial fees for the biennium 1998-1999, by category, are set out in table 8 below.

Table 8. Estimated advisory and custodial fees

	1994-1995 expenditures	1996-1997 approved appropriations	1996-1997 revised appropriations	1998-1999 estimates
Advisory				
Regular	10 053 970	11 400 000	12 900 000	14 000 000
Small Cap	1 641 651	2 100 000	4 100 000	5 000 000
Custody	8 214 132	6 500 000	7 000 000	7 300 000
Total	19 909 753	20 000 000	24 000 000	26 300 000

114. Post requirements. The post requirements for the Investment Management Service are set out in table 9 below:

Table 9. Post requirements: Investment Management Service

	Established posts		Temporary posts		Total	
	1996-1997	1998-1999	1996-1997	1998-1999	1996-1997	1998-1999
Professional category and above						
D-2	-	-	-	-	-	-
D-1	1	1	-	-	1	1
P-5	5	5	-	-	5	5
P-4/3	6	6	-	-	6	6
P-2/1	-	-	-	-	-	-
Total	12	12	-	-	12	12
General Service category						
Principal level	2	4	-	-	2	4
Other levels	16	16	-	-	16	16
Total	18	20	-	-	18	20
Grand total	30	32	-	-	30	32

115. The representative of the Secretary-General for the investments of the Fund and the Chief of the Investment Management Service had presented to the Standing

Committee in 1995 and to the Board in 1996 their evaluations of the staffing requirements necessary to manage the investments more efficiently, given the continuous increase in the value of the Fund, the complexity of the investment process, the level of delegation accorded the staff members involved in the management, and the establishment of the new advisory and custodial agreements with several firms involved. In 1995, the General Assembly remanded the staffing proposals to the Board for consideration at its 1996 session. The Board took no action on the reclassification of the post of the Chief of the Investment Management Service to the D-2 level. Moreover, instead of establishing a D-1 post for the Deputy Chief of the Investment Management Service and one additional P-5 post, the Board recommended, and the Assembly approved, two new P-5 posts.

116. The representative of the Secretary-General has reiterated that the classifications of the posts of the Chief and Deputy Chief of the Investment Management Service to D-2 and D-1, respectively, are warranted. He expressed the hope that the Board would take a positive decision on the reclassifications at its next session. He has indicated that a further delay in restructuring the Service will soon impact the Fund negatively.

117. At its 1996 session, the Board had decided that it would revert to consideration of the level of the post of Chief of the Investment Management Service in 1998 in the light of an analysis of the responsibilities of the Secretary of the Board as the Chief Executive Officer of the Fund for the administration of the Fund and those of the Secretary-General for the investment of the assets of the Fund, to be carried out and submitted to the Board jointly by the Secretary of the Board and the Representative of the Secretary-General for the investments of the Fund, taking into account the views expressed by the members of the Board and of the Standing Committee.

118. Pending that study and its review by the Board in 1998, the present staffing requests for the Investment Management Service for the biennium 1998-1999 consist of: (a) the upgrading of one P-3 post to the P-4 level; and (b) the addition of two new General Service (Principal level) posts to assist the two new P-5 officers to be recruited against the posts approved last year. The proposed reclassification of the P-3 post to the P-4 level and the proposed level of the two new General Service posts have been confirmed by the Compensation and Classification Service of the Office of Human Resources Management of the United Nations Secretariat.

119. Other staff costs. Resources requested under this heading ($98,300) reflect a negative growth of $27,200, at 1997 rates, resulting from efficiencies implemented during the current biennium. These resources comprise a provision of: (a) $46,700 for general temporary assistance required for periods of peak workload and for replacements of staff on maternity and extended sick leaves; (b) $20,600 for overtime to reduce work backlogs; and (c) $31,000 for training related mainly to changes in the computer systems.

120. Travel. The estimated requirements of $587,100 reflect a negative growth of $10,800, at 1997 rates, and relate to: (a) staff travel ($247,200), involving visits with companies and investment institutions, participation in investment-related conferences and seminars, custody-related activities and

Pension Board meetings; and (b) travel of members to meetings of the Investments Committee ($339,900).

121. Contractual services. The resources requested under this heading ($26,485,400) reflect a resource growth of $6,324,100, or 31.4 per cent, and comprise the costs of (a) advisory and custodial fees ($26,300,000), as detailed in paragraph 113 above, and (b) investment consultants ($185,400) for special consulting and legal advice concerning the remaining custody agreements, as well as the agreement with the Master Record Keeper, which are scheduled to be reassessed and renegotiated in 1999.

122. General operating expenses. The resources requested under this heading ($681,900), reflecting an overall negative growth of $462,600, comprise communication services ($103,000), hospitality ($2,100), miscellaneous supplies and services ($61,800) and bank charges ($515,000). Of the total negative growth, $362,500 relate to a reduction in the estimated banking charges resulting from more cost-effective arrangements with the Fund's banking institutions. The costs of communication services are ongoing and relate to the new direct relationships with the regional custodians, including the creation and implementation of direct electronic interfaces with each custodian, specifically designed to match the technological parameters required by the various custodians and the Investment Management Service in-house accounting and portfolio management systems. Interface programmes will need to be rewritten to enable the Service to retrieve electronically transaction information from the Depository Trust Company and other non-United States central depositories. An interface will be required to enable the direct independent pricing of the Fund's portfolio. Miscellaneous supplies and services cover expenditures for office supplies and miscellaneous services, including in-house production of Investments Committee documentation.

123. Bank charges incurred in the payment of benefits are included in the budget estimates on the recommendation of the Board of Auditors in 1987. These costs are more than offset by the interest earned on monies that were formerly held as compensating balances for payment services provided by banks. The auditors had further recommended that cash balances should be kept as low as possible to enhance investment opportunities and that the Fund accept so-called "hard" charges for bank services.

124. Investment reference services. The estimated resource requirements ($548,000) reflect a negative growth of $49,900 and cover electronic access to additional investment data necessary to make informed investment decisions. The technology for investment information is constantly being upgraded in the industry. A Portfolio Management System, installed during the biennium 1994-1995, has facilitated the integration of external investment data bases and the specific details of the investments of the Fund. The system is integrated with other investment data services to give the staff the capability to retrieve electronically the most current material from an increased number of investment reference services.

125. Equipment. The resources requested ($333,900) reflect a resource growth of $67,100 based on a reassessment of requirements and consist of (a) $328,600 for software purchase and design, including changes in the design of the Investment

Control and Accounting System, the Portfolio Management System licence maintenance, other custom programming needs, general systems and equipment maintenance, and for miscellaneous computer and computer-related equipment and furniture; and (b) $5,300 for incidental office furniture not provided by the United Nations.

3. Audit costs

126. A breakdown of the audit costs is set out in table 10 below.

Table 10. Summary by object of expenditure

(Thousands of United States dollars)

Object of expenditure	1994-1995 expenditures	1996-1997 appropriations	Resource growth		Total before recosting	Recosting	1998-1999 estimates
			Amount	Percentage			
Contractual services							
External audit	27.1	32.6	120.3	367.9	152.9	4.7	157.6
Internal audit	0.0	409.6	(1.8)	(0.4)	407.8	13.9	421.7
Total	27.1	442.2	118.5	26.7	560.7	18.6	579.3

External audit

127. The external audit costs had previously been presented as part of the administrative costs under contractual services. As the external audits also cover the investment operations, the costs related thereto are now presented under the new third component, audit costs.

128. The Board of Auditors requested that, for the biennium 1998-1999, the total cost for auditing the Fund's operations should be increased to $397,210, or by $125,870, based on the recent actual cost experience and on the extension of the audits to include the Fund's Geneva office, considering the increased scope of responsibilities assigned to that office. The Secretary agreed to propose that the Fund assume the full amount of the increased external audit costs, as a step towards establishing a more reasonable and fair sharing of these costs. Accordingly, it is proposed to increase the Fund's share of the external audit costs to $157,600, reflecting a resource growth of $120,300, at 1997 rates. This would modify the United Nations/UNJSPF cost-sharing ratio from approximately 88/12 to 60/40, pending completion of the review of the administrative arrangements between the United Nations and the Fund.

Internal audit

129. The resources requested for internal audit costs ($421,700) reflect a negative growth of $1,800, at 1997 rates. Information on the establishment of an internal audit function for the Fund through a UNJSPF Audit Unit in the

Office of Internal Oversight Services is provided in paragraphs 12 to 17 above. In the previous biennium, the resources covered the financing of a P-4 post and a General Service (Other level) post, and an amount of $200,000 for contracting an outside firm to carry out an investment audit. For the biennium 1998-1999, the resources requested would increase the staffing for the Unit to include a P-3 post for 18 months to provide for continuous audit coverage of the Fund's secretariat as a whole, including the investment area, with an additional $25,000 to cover training, travel and contractual services.

130. The resources requested amount to $527,100, of which $105,400 would be charged to section I of the United Nations regular budget to take into account that the Fund's secretariat also serves as the local pension secretariat of the United Nations; the corresponding amount in the previous United Nations biennium budget was $102,400. Thus, in the case of the internal audit function, the United Nations/UNJSPF sharing of the cost is in the proportion 20/80. As part of the longer-term study of the administrative arrangements between the United Nations and UNJSPF, the issue of the appropriate sharing of both internal and external audit costs would have to be reviewed.

V. EMERGENCY FUND

131. The Emergency Fund was initially established by the Board in 1973 from voluntary contributions of member organizations, staff associations and individual contributors to alleviate the distress of recipients of small pensions, caused by currency fluctuations and cost-of-living increases. Since the introduction of the pension adjustment system in 1975, it has been used to provide relief in individual cases of proven hardship owing to illness, infirmity or similar causes.

132. The General Assembly, in section VII of its resolution 50/216, authorized the Pension Board to supplement the voluntary contributions to the Emergency Fund, for the biennium 1996-1997, by an amount not exceeding $200,000.

133. During the period from 1 May 1996 to 30 April 1997, there were 24 disbursements totalling $27,032. The amounts disbursed over the two-year period from 1 May 1995 to 30 April 1997 totalled $51,867. Total expenditures since 1975 have reached approximately $708,227.

134. The disbursements are approved on the basis of guidelines established by the Board over the years; the Board will review the guidelines in 1998. As in the past, most of the cases related to medical expenses that were not reimbursed from any other source. In the majority of such cases, the Emergency Fund paid only a portion of the unreimbursed expenses incurred by the pensioner. In a few cases, the Emergency Fund met the difference between expenses incurred and amounts reimbursed by health insurance; this was done where payment by the pensioner of the difference would have caused extreme hardship because of the size of the pension. As usual, the views of the Medical Consultant and local secretaries were obtained in all cases that involved medical expenses and reimbursement from health insurance schemes.

135. It has been the practice of the Board or the Standing Committee to request the General Assembly to authorize the Board to supplement the voluntary contributions to the Emergency Fund, for each biennium, by an amount not exceeding $200,000. For many years no voluntary contributions were made to the Emergency Fund. However, the Standing Committee was informed that in March 1997 the Fund had received a bequest of $127,023.63 from a retired participant, as a voluntary contribution to the Emergency Fund.

136. The Standing Committee therefore decided to request the General Assembly to authorize the Board to supplement the voluntary contributions to the Emergency Fund, for the biennium 1998-1999, by an amount not exceeding $73,000 (taking into account the voluntary contribution recently received), so as to make the resources available to the Emergency Fund for the biennium 1998-1999 total the usual $200,000. The Standing Committee also confirmed that the entire bequest recently received should be used exclusively to make remittances to Fund beneficiaries from the Emergency Fund.

Annex I

LIST OF PARTICIPANTS

Representing	Members	Alternates
United Nations		
General Assembly	Mr. T. Inomata (Japan)	Mr. C. Dante Riva (Argentina)
General Assembly	Ms. S. Shearouse (United States of America)	Mr. V. Kuznetsov (Russian Federation)
Secretary-General	Mr. D. Halliday (Ireland)	Mr. A. Miller (Australia)
Secretary-General	Mr. J.-P. Halbwachs (Mauritius)	Mr. W. Sach (United Kingdom of Great Britain and Northern Ireland)
Participants	Ms. S. Johnston (United States)	Mr. C. Dahoui (Brazil)
Participants	Mr. J.-M. Jakobowicz (France)	Mr. C. Hackett (Barbados)
Food and Agriculture Organization of the United Nations (FAO)		
Participants	Mr. C. Cherubini (Italy)	
Executive head		Mr. A. Marcucci (Italy)
World Health Organization (WHO)		
Governing body	Dr. J. Larivieri (Canada)	
Executive head	Mr. D. G. Aitken (United Kingdom)	
International Labour Organization (ILO)		
Executive head	Mrs. H. T. Perret-Nguyen (France)	Mr. A. Busca (Italy)
United Nations Educational, Scientific and Cultural Organization (UNESCO)		
Participants	Mr. A. McLurg (United Kingdom)	
United Nations Industrial Development Organization (UNIDO)		
Participants	Ms. J. Castelino (United Kingdom)	

Representing	Members	Alternates
International Civil Aviation Organization (ICAO)		
Governing body		Mr. J. Manning (Australia)
International Atomic Energy Agency (IAEA)		
Participants		Mr. W. Scherzer (Austria)
International Telecommunication Union (ITU)		
Governing body	Mr. E. Lieser (Germany)	
International Maritime Organization (IMO)		
Executive head	Mr. D. Muthumala (Sri Lanka)	
Interim Commission for the International Trade Organization (ICITO)/General Agreement on Tariffs and Trade (GATT)		
Executive head		Mr. P. H. Rolian (Canada)
World Intellectual Property Organization (WIPO)		
Governing body		Mr. C. Wetz (Germany)
International Fund for Agricultural Development (IFAD)		
Governing body	Mr. J. Robles-Aguilar (Mexico)	

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Representatives	Organization	Representing
Ms. V. Paterson	WHO	Participants
Mr. J. Patino	UNESCO	Governing body
Mr. A. Arfwedson	UNESCO	Executive head
Mr. Y. Chotard	ILO	Governing body
Mr. J.-V. Gruat	ILO	Participants
Mr. S. O. Fatunla	UNIDO	Governing body
Ms. U. Peer	UNIDO	Executive head
Mr. D. Goethel*	IAEA	Executive head
Mr. M. Arrouchi	IAEA	Governing body

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* Chairman.

Representatives	Organization	Representing
Mr. D. J. Goossen	ICAO	Executive head
Mr. R. G. Menzel	ICAO	Participants
Mr. S. Mbele-Mbong	WMO	Participants
Ms. E. Tewolde	IFAD	Executive head
Mr. D. Ripandelli	ICGEB	Executive head
Mr. A. Ali	FAFICS	Pensioners
Mr. A. Chakour (Alt.)	FAFICS	Pensioners

International Civil Service Commission

Mr. M. Ordelt, Secretariat

Staff pension committees

Secretary	Organization
Mrs. R. Wiedmer	WHO
Mr. F. Fusco	FAO
Mrs. C. Kerlouegan	UNESCO
Ms. C. McGarry	ILO
Mr. P. Uhl	IAEA
Mr. M. Rolland	ITU
Mr. R. Luther	ICITO
Mrs. T. Dayer	WIPO
Ms. J. Sisto	IFAD

Observers

Mr. S. Nandan	International Seabed Authority
Mr. R. Costales	Inter-American Development Bank
Mr. A. Chowdhury	Coordinating Committee for International Staff Unions and Associations of the United Nations System
Ms. H. Puhlmann	Federation of International Civil Servants' Associations

Committee of Actuaries

Mr. L. J. Martin, Rapporteur

Consulting Actuary

Mr. R. Sharp

Representative of the Secretary-General for the investments of the Fund

Mr. J. E. Connor

Investments Committee and staff

Mr. E. N. Omaboe, Chairman

Mr. H. Ouma, Chief, Investment Management Service

Mr. S. Jiang, Deputy Chief, Investment Management Service

Ms. L. Landmesser, Senior Investment Officer, Investment Management Service

Ms. A. Jackson, Secretary, Investments Committee

United Nations Joint Staff Pension Fund staff

Mr. R. Gieri, Secretary

Mr. J. P. Dietz, Deputy Secretary

Mr. G. Ferrari, Chief, Geneva Office

Mr. K. Widdows, Senior Legal Officer

Ms. D. Sun, Chief, Financial Services Section

Mr. P. Dooley, Chief, Information Management System Section

Ms. J. Charles, Executive Officer

Ms. S. Dueltgen, Administrative Officer

Annex II

SUMMARY OF THE OPERATION OF THE FUND: 1971-1996

(United States dollars)

Year ending (1)	Assets/ principal of the Fund $ (2)	Number of participants (3)	Cumulative number of periodic benefits (4)	Cumulative cost of periodic benefits $ (5)	Annual withdrawal settlements[b] (6)		Total posts[c] (7)
					Amount	Number	
Sept. 1971	622 011 280	34 860	5 303	14 655 927	5 485 473	2 746	39
Sept. 1972	712 062 485	36 768	5 894	19 010 212	6 184 851	2 683	46
Dec. 1973*	829 475 720	38 089	7 155	35 038 609	10 595 192	4 117	47
Dec. 1974	923 444 687	39 451	8 155	35 004 202	9 277 967	3 369	49
Dec. 1975	1 089 776 538	42 592	9 070	45 395 136	8 375 721	2 762	58
Dec. 1976	1 256 118 846	42 917	10 515	59 663 179	12 660 692	3 797	68
Dec. 1977	1 417 568 515	43 176	12 067	81 075 016	13 064 798	3 450	73
Dec. 1978	1 624 475 731	33 983	13 276	100 368 107	11 628 131	2 747	76
Dec. 1979	1 885 906 941	46 904	14 486	117 674 480	13 472 340	3 090	80
Dec. 1980	2 171 470 086	49 098	15 937	160 843 568	16 327 928	3 359	85
Dec. 1981	2 479 987 598	51 048	17 357	186 101 336	17 910 323	3 254	93
Dec. 1982	2 790 412 267	50 966	19 178	228 181 202	28 723 251	4 029	93
Dec. 1983	3 129 628 492	52 432	20 899	252 591 270	26 765 762	3 565	94
Dec. 1984	3 527 190 756	53 204	22 378	290 221 921	30 091 393	3 577	95
Dec. 1985	4 168 672 825	54 013	23 965	319 624 061	28 668 212	3 365	100
Dec. 1986	5 092 134 823	54 289	25 434	345 500 824	31 075 697	3 414	101
Dec. 1987	6 123 937 518	53 967	26 920	367 682.618	33 637 140	3 522	101
Dec. 1988	6 877 603 614	54 006	28 362	390 556 680	35 883 073	3 638	107
Dec. 1989	7 626 808 601	56 222	29 566	404 586 091	31 944 228	3 009	107
Dec. 1990	8 529 311 600	58 263	30 901	474 157 321	35 260 509	3 730	115
Dec. 1991	9 349 146 243	60 183	32 294	515 588 120	37 025 389	3 467	115
Dec. 1992	10 380 471 469	61 968	33 923	579 816 190	36 351 949	3 635	122
Dec. 1993	11 250 266 475	63 329	35 435	606 559 593	40 605 148	4 165	128
Dec. 1994	11 927 849 903	63 813	37 156	680 475 301	49 313 730	4 419	128
Dec. 1995	12 658 414 333	68 708	38 914	745 980 412	40 555 022	4 055	128
Dec. 1996	13 312 103 653	67 997	41 433	845 935 032	69 138 165	5 622	136

* Long year owing to a change in the fiscal year effective 1 January 1974.

[b] Includes transfers under agreements.

[c] Breakdown of posts, including posts in the Investment Management Service, is provided overleaf.

Year ending	Established posts				Temporary administrative posts		Total established posts	Total posts
	Administrative		Investments					
	Professional	General Service	Professional	General Service	Professional	General Service		
Sept. 1971	10	23	0	0	1	5	33	39
Dec. 1972	10	23	3	4	1	5	40	46
Dec. 1973	11	23	3	4	1	5	41	47
Dec. 1974	11	25	3	4	1	5	43	49
Dec. 1975	15	28	3	5	0	7	51	58
Dec. 1976	13	29	5	4	5	12	51	68
Dec. 1977	16	31	5	4	4	13	56	73
Dec. 1978	18	32	5	4	4	13	59	76
Dec. 1979	22	42	5	4	2	5	73	80
Dec. 1980	23	44	5	4	2	7	76	85
Dec. 1981	25	54	5	4	1	4	88	93
Dec. 1982	25	54	5	4	1	4	88	93
Dec. 1983	25	54	5	5	1	4	89	94
Dec. 1984	26	58	5	6	0	0	95	95
Dec. 1985	26	61	6	7	0	0	100	100
Dec. 1986	27	60	6	8	0	0	101	101
Dec. 1987	27	60	6	8	0	0	101	101
Dec. 1988	28	59	7	10	1	2	104	107
Dec. 1989	28	59	7	10	1	2	104	107
Dec. 1990	30	62	9	14	0	0	115	115
Dec. 1991	30	62	9	14	0	0	115	115
Dec. 1992	32	66	9	15	0	0	122	122
Dec. 1993	33	70	9	15	0	1	127	128
Dec. 1994	33	70	9	15	0	1	127	128
Dec. 1995	33	70	9	15	0	1	127	128
Dec. 1996	34	72	12	18	0	0	136	136

Annex III

SUMMARY OF REVISED ESTIMATES FOR THE BIENNIUM 1996-1997

(Thousands of United States dollars)

A. Administrative costs

Object of expenditure	Revised appropriations (1)	Decisions of policy-making organs (2)	Other changes (3)	Adjustments to standard costs (4)	Rates of exchange (5)	Inflation (6)	Total requirements (2+3+4+5+6) (7)	Revised estimates (1+7) (8)
Established posts	7 161.4	0.0	0.0	0.0	0.0	0.0	0.0	7 161.4
Common staff costs	2 776.3	0.0	0.0	0.0	0.0	0.0	0.0	2 776.3
Posts	9 937.7	0.0	0.0	0.0	0.0	0.0	0.0	9 937.7
Temporary assistance	405.8	0.0	0.0	0.0	0.0	0.0	0.0	405.8
Common staff costs	155.1	0.0	0.0	0.0	0.0	0.0	0.0	155.1
Overtime	180.0	0.0	0.0	0.0	0.0	0.0	0.0	180.0
Training	50.5	0.0	0.0	0.0	0.0	0.0	0.0	50.5
Other staff costs	791.4	0.0	0.0	0.0	0.0	0.0	0.0	791.4
Travel of staff	195.4	0.0	0.0	0.0	0.0	0.0	0.0	195.4
Committee of Actuaries	67.1	0.0	0.0	0.0	0.0	0.0	0.0	67.1
Travel	262.5	0.0	0.0	0.0	0.0	0.0	0.0	262.5
Actuarial consulting services	455.1	0.0	0.0	0.0	0.0	0.0	0.0	455.1
Consultants	196.2	0.0	0.0	0.0	0.0	0.0	0.0	196.2
Electronic data-processing contractual services	208.3	0.0	0.0	0.0	0.0	0.0	0.0	208.3
Contractual services	859.6	0.0	0.0	0.0	0.0	0.0	0.0	859.6
Computer services rendered by the United Nations	40.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0
Communications services	10.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0
Hospitality	12.2	0.0	0.0	0.0	0.0	0.0	0.0	12.2
Miscellaneous supplies and services	187.0	0.0	0.0	0.0	0.0	0.0	0.0	187.0
Rental and maintenance of equipment	1 168.5	0.0	0.0	0.0	0.0	0.0	0.0	1 168.5
General operating expenses	1 417.7	0.0	0.0	0.0	0.0	0.0	0.0	1 417.7
Supplies and materials	105.7	0.0	0.0	0.0	0.0	0.0	0.0	105.7
Acquisition of equipment	604.4	0.0	0.0	0.0	0.0	0.0	0.0	604.4
Office furniture and fixtures	0.0	200.0	0.0	0.0	0.0	0.0	200.0	200.0
Equipment	604.4	200.0	0.0	0.0	0.0	0.0	200.0	804.4
Total administrative costs	13 979.0	200.0	0.0	0.0	0.0	0.0	200.0	14 179.0

B. Investment costs

Object of expenditure	Revised appropriations (1)	Decisions of policy-making organs (2)	Other changes (3)	Adjustments to standard costs (4)	Rates of exchange (5)	Inflation (6)	Total requirements (2+3+4+5+6) (7)	Revised estimates (1+7) (8)
Established posts	2 982.6	0.0	0.0	0.0	0.0	0.0	0.0	2 982.6
Common staff costs	1 184.4	0.0	0.0	0.0	0.0	0.0	0.0	1 184.4
Posts	4 167.0	0.0	0.0	0.0	0.0	0.0	0.0	4 167.0
Temporary assistance	29.3	0.0	0.0	0.0	0.0	0.0	0.0	29.3
Common staff costs	11.6	0.0	0.0	0.0	0.0	0.0	0.0	11.6
Overtime	35.9	(15.9)	0.0	0.0	0.0	0.0	(15.9)	20.0
Training	40.9	(6.9)	0.0	0.0	0.0	0.0	(6.9)	34.0
Other staff costs	117.7	(22.8)	0.0	0.0	0.0	0.0	(22.8)	94.9
Travel of staff	230.4	0.0	0.0	0.0	0.0	0.0	0.0	230.4
Investment Committee	348.1	(38.1)	0.0	0.0	0.0	0.0	(38.1)	310.0
Travel	578.5	(38.1)	0.0	0.0	0.0	0.0	(38.1)	540.4
Advisory and custodial fees	20 000.0	4 000.0	0.0	0.0	0.0	0.0	4 000.0	24 000.0
Investment consultants	155.3	9.7	0.0	0.0	0.0	0.0	9.7	165.0
Contractual services	20 155.3	4 009.7	0.0	0.0	0.0	0.0	4 009.7	24 165.0
Communications services	204.8	(11.0)	0.0	0.0	0.0	0.0	(11.0)	193.8
Hospitality	5.1	(3.6)	0.0	0.0	0.0	0.0	(3.6)	1.5
Miscellaneous supplies and services	51.2	6.8	0.0	0.0	0.0	0.0	6.8	58.0
Bank charges	859.1	(359.1)	0.0	0.0	0.0	0.0	(359.1)	500.0
General operating expenses	1 120.2	(366.9)	0.0	0.0	0.0	0.0	(366.9)	753.3
Investment Reference Services	579.6	(49.6)	0.0	0.0	0.0	0.0	(49.6)	530.0
Data processing	250.9	104.1	0.0	0.0	0.0	0.0	104.1	355.0
Office furniture and fixtures	5.1	194.9	0.0	0.0	0.0	0.0	194.9	200.0
Equipment	256.0	299.0	0.0	0.0	0.0	0.0	299.0	555.0
Total investment costs	26 974.3	3 831.3	0.0	0.0	0.0	0.0	3 831.3	30 805.6

C. Audit costs

Object of expenditure	Revised appropriations (1)	Decisions of policy-making organs (2)	Other changes (3)	Adjustments to standard costs (4)	Rates of exchange (5)	Inflation (6)	Total requirements (2+3+4+5+6) (7)	Revised estimates (1+7) (8)
External audit	32.6	0.0	0.0	0.0	0.0	0.0	0.0	32.6
Internal audit	204.8	0.0	0.0	0.0	0.0	0.0	0.0	204.8
Internal audit	204.8	0.0	0.0	0.0	0.0	0.0	0.0	204.8
Contractual services	442.2	0.0	0.0	0.0	0.0	0.0	0.0	442.2
Total audit costs	442.2	0.0	0.0	0.0	0.0	0.0	0.0	442.2

Annex IV

BUDGET ESTIMATES FOR THE BIENNIUM 1998-1999

(Thousands of United States dollars)

A. Administrative costs

	Approved appropriations	Revaluation of 1996-1997 base	Resource growth	Inflation in 1998-1999	Total increase	Total estimates 1998-1999
Established posts	7 161.4	282.4	0.0	217.4	499.8	7 661.2
Common staff costs	2 776.3	175.3	0.0	120.3	295.6	3 071.9
Posts	9 937.7	457.7	0.0	337.7	795.4	10 733.1
Temporary assistance	405.8	23.1	176.0	20.5	219.6	625.4
Common staff costs	155.1	21.7	70.6	8.7	101.0	256.1
Overtime	180.0	0.8	4.8	5.9	11.5	191.5
Training	50.5	(25.7)	0.0	1.5	(24.2)	26.3
Other staff costs	791.4	19.9	251.4	36.6	307.9	1 099.3
Travel of staff	195.4	(63.8)	0.0	5.9	(57.9)	137.5
Committee of Actuaries	67.1	(0.3)	0.0	2.0	2.3	69.4
Travel	262.5	(63.5)	0.0	7.9	(55.6)	206.9
ICC services	0.0	0.0	1 439.5	43.8	1 483.3	1 483.3
Actuarial consulting services	455.1	1.8	(106.8)	10.5	(94.5)	360.6
Consultants	196.2	(152.8)	0.0	5.9	(146.9)	49.3
Electronic data-processing contractual services	208.3	(145.9)	624.0	24.8	502.9	711.2
Contractual services	859.6	(296.9)	517.2	41.2	261.5	1 121.1
Services rendered by the United Nations	40.0	0.0	(40.0)	0.0	(40.0)	0.0
Communications services	10.0	0.0	0.0	0.0	0.0	10.0
Hospitality	12.2	0.0	0.0	0.4	0.4	12.6
Miscellaneous supplies and services	187.0	(101.7)	0.0	5.6	(96.1)	90.9
Rental and maintenance of equipment	1 168.5	(250.6)	(415.1)	21.6	(644.1)	524.4
General operating expenses	1 417.7	(352.3)	(455.1)	27.6	(779.8)	637.9
Supplies and materials	105.7	0.6	195.3	9.0	204.9	310.6
Equipment	604.4	(306.1)	475.1	31.9	200.9	805.3
Total administrative costs	13 979.0	(540.6)	2 423.4	535.7	2 418.5	16 397.5

B. Investment costs

	Approved appropriations	Revaluation of 1996-1997 base	Resource growth	Inflation in 1998-1999	Total increase	Total estimates 1998-1999
Established posts	2 982.6	274.4	229.0	231.6	735.0	3 717.6
Common staff costs	1 184.4	120.7	92.0	93.6	306.3	1 490.7
Posts	4 167.0	395.1	321.0	325.2	1 041.3	5 208.3
Temporary assistance	29.3	2.1	0.0	1.9	4.0	33.3
Common staff costs	11.6	1.0	0.0	0.8	1.8	13.4
Overtime	35.9	0.2	(16.1)	0.6	(15.3)	20.6
Training	40.9	0.2	(11.1)	1.0	(9.9)	31.0
Other staff costs	117.7	3.5	(27.2)	4.3	(19.4)	98.3
Travel of staff	230.4	0.9	8.7	7.2	16.8	247.2
Investments Committee	348.1	1.4	(19.5)	9.9	(8.2)	339.9
Travel	578.5	2.3	(10.8)	17.1	8.6	587.1
Advisory and custodial fees	20 000.0	0.0	6 300.0	0.0	6 300.0	26 300.0
Investment consultants	155.3	0.6	24.1	5.4	30.1	185.4
Contractual services	20 155.3	0.6	6 324.1	5.4	6 330.1	26 485.4
Communications services	204.8	0.8	(105.6)	3.0	(101.8)	103.0
Hospitality	5.1	0.0	(3.1)	0.1	(3.0)	2.1
Miscellaneous supplies and services	51.2	0.2	8.6	1.8	10.6	61.8
Bank charges	859.4	3.4	(362.5)	15.0	(344.1)	515.0
General operating expenses	1 120.2	4.4	(462.6)	19.9	(438.3)	681.9
Investment Reference Services	579.6	2.3	(49.9)	16.0	(31.6)	548.0
Data-processing	250.9	1.0	67.1	9.6	77.7	328.6
Office furniture and fixtures	5.1	0.0	0.0	0.2	0.2	5.3
Equipment	256.0	1.0	67.1	9.8	77.9	333.9
Total investment costs	26 974.3	409.2	6 161.7	397.7	6 968.6	33 942.9

C. Audit costs

	Approved appropriations	Revaluation of 1996-1997 base	Resource growth	Inflation in 1998-1999	Total increase	Total estimates 1998-1999
External audit	32.6	0.1	120.3	4.6	125.0	157.6
Internal audit	409.6	1.6	(1.8)	12.3	12.1	421.7
Total audit costs	442.2	1.7	118.5	16.9	137.1	579.3